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Farm Accounting: Inventory and Balance Sheet Part 2

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Objetictives

- Be able to design and prepare the Financial Position Statement for a company.
- Differentiate between current, intermediate, and fixed assets.

RESOURCES

On the website www.mercadeoagrícolapr.com, you can find this presentation and there are also tolos you can use such as a spreadsheet where you can enter the accounting and financial information of the business. It can be found on the following web pages, and the file is called:

Accounting and Finantial Records in Excel for Farms

https://www.mercadeoagricolapr.com/herramientas/hojas-de-calculo/

https://www.uprm.edu/agricultores-desventajados/hojas-de-calculo/

Registros Contables

- Cash Flow
- Income Statement
- Inventory
- Balance Sheet

INVENTORY USES

- Know what we have on the farm
- Serves as evidence for assistance in cases of disasters
- Together with liabilities, it shows the true economic situation
- Essential for filing tax reports
- A control tool
- Allows determining which and how many items need to be restocked
- Helps plan when to restock the inventory
- Allows managing perishable materials more efficiently

Balance Sheet

- It is a summary of the inventory.
- It presents the company's net worth.

Inventory

- ASSETS
  - Current
  - Intermediate
  - Fixed

- LIABILITIES OR DEBTS
  - Current
  - Intermediate
  - Fixed

ASSETS

ASSETS

- Items or rights owned by a company.
- From which an economic benefit is expected to be received.

CURRENT ASSETS

- Include materials or products that are ready for sale.
- All merchandise held by a company in the warehouse valued at acquisition cost, for sale or productive activities.
- These are assets used in the production process or kept on the farm with the purpose of being converted into cash, sold, or consumed within a short period of time.

EXAMPLE OF CURRENT ASSETS

- Cash or money in the bank
- Accounts receivable within a year or less
- Goods that can be converted into cash in a short time
- Fattening animals
- Animal feed inventory
- Fertilizer inventory
- Pesticides
- Products for sale
- Fertilizers
- Medications

INTERMEDIATE ASSETS

- Assets that support the production process but are not used up or sold within one year, and are not attached to the land.

EXAMPLES OF INTERMEDIATE ASSETS

- Machinery and equipment
- Office equipment
- Tools
- Breeding animals

FIXED ASSSTES

- Assets that support the production process but are not used up or sold within one year and are attached to the land.

EXAMPLES OF FIXED ASSETS

- Barns and/or structures
- Land
- Perennial plants or trees
- Ponds
- Irrigation canals
- Irrigation systems
- Fences
- Trees in the inventory

TREES IN THE INVENTORY

- It is very important to include all the trees on the farm.
- The value assigned to a tree will depend on its age.
- **Example:**
  It is not the same to buy a 10-acre farm that already has mangoes in production as to buy a 10-acre farm without any crops.

- The farm with crops, in this case mangoes, has a higher value because of the inventory of trees and the fact that income may be generated sooner than starting from new planting.

LIABILITIES OR DEBTS

LIABILITIES OR DEBTS

- Amount of money owed to third parties.
- Debt responsibility held by the agricultural business.

CURRENT LIABILITIES

- Debts due within one year or less, or during the accounting period.

Example:

- Taxes
- Accounts payable within 12 months

INTERMEDIATE LIABILITIES

- Debts due in less than 10 years.

Example:

- Loan balance
- Credit cards that cannot be paid in less than 10 years

FIXED LIABILITIES

- Debts due in more than ten years.

Example:

- Mortgages payable

FORMATO DEL ESTADO DE SITUACIÓN FINANCIERA

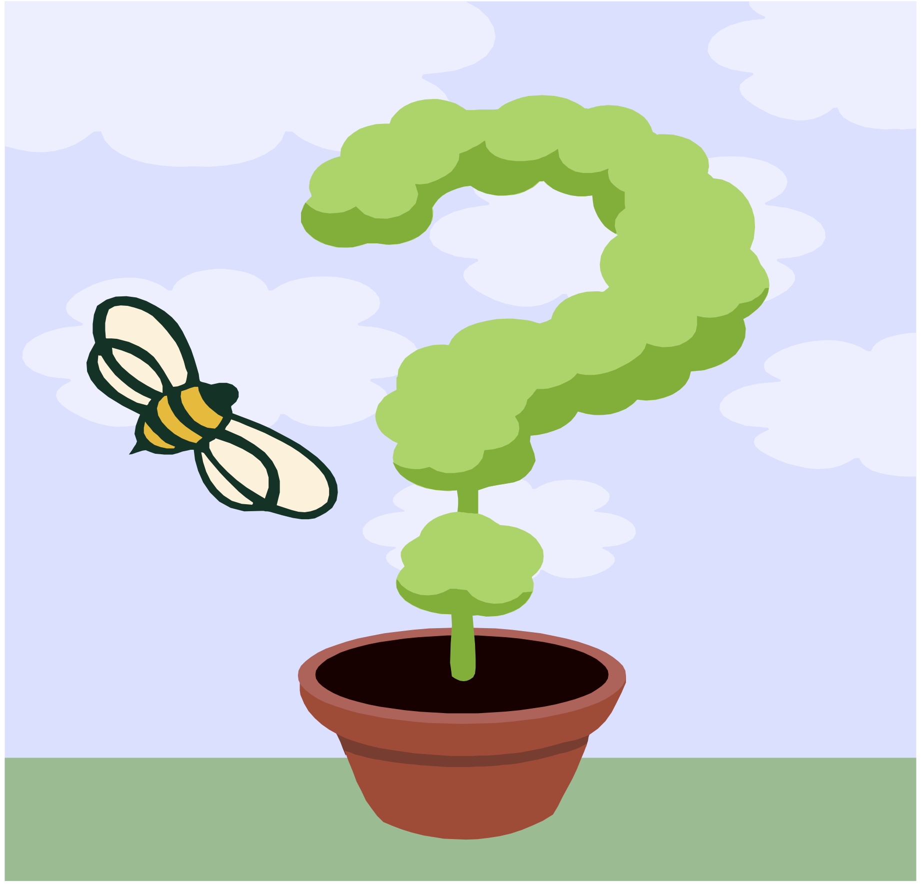
Assets			Liabilities	
Current Assetes	**Value**		**Current Liabilities**	**Value**
1.	a		1.	p
2.	b		2.	q
3.	c		3.	r
4.	d		4.	s
5.	e		5.	t
A. Total of Current Assets	A = a +b+c+d+e		**E. Total of Current Liabilities**	E = p+q+r+s+t
Intermediate Assets	**Value**		**Intermediate Liabilities**	**Value**
1.	f		1.	u
2.	g		2.	v
3.	h		3.	w
4.	i		4.	x
5.	j		5.	y
B. Total of Intermediate Assets	B = f+g+h+i+j		**F. Total ofIntermediate Liabilities**	F = u+v+w+x+y
Fixed Assets	**Value**		**Pfixed Liabilities**	**Value**
1.	k		1.	aa
2.	l		2.	bb
3.	m		3.	cc
4.	n		4.	dd
5.	o		5.	ee
C. Total of Fixed Assets	C = k+l+m+n+o		**G. Total of Fixed Liabilities**	G= aa+bb+cc+dd+ee
D. TOTAL ASSETS	D = A+B+C		**H. TOTAL LIABILITIES**	H = E+F+G
NETWORTH (TOTAL ASSETS – TOTAL LIABILITIES)				**D - H**

ASSETS		LIABILITIES	
CURRENT ASSETS	**VALUE**	**CURRENT LIABILITIES**	**VALUE**
Cash	$5,600	10 month Loan	$1,500
Organic Pesticides	$6,700	Credit Card debt	$2,700
Bananas to be harvested	$10,500		
Organic Fetilizer	$3,400		
A. Total of Current Assets	**$26,200**	**E. Total of Current Liabilities**	**$4,200**
INTERMEDIATE ASSETS	**VALUE**	**INTERMEDIATE LIABILITIES**	**VALUE**
Refrigetrated truck	$20,500	5 year truck loan	$21,000
Weedeater	$350	Credit card	$19,000
Water pump	$575		
Pick-up	$29,500		
Tractor	$8,000		
B. Total of Intermediate Assets	**$58,925**	**F. Total of Intermediate Liabilities**	**$40,000**
FIXED ASSETS	**VALUE**	**FIXED LIABILITIES**	**VALUE**
20 acres of land	$150,000	Farm Mortgage	$105,000
C. Total of Fixed Assets	**$150,000**	**G. Total of Fixed Liabilities**	**$105,000**
D. TOTAL ASSETES	**$235,125**	**H. TOTAL LIABILITIES**	**$ 149,200**
NET WORTH = TOTAL ASSETS – TOTAL LIABILITIES			**$85,925**

Summary

- Total Current Assets
- Total Intermediate Assets
- Total of Fixed Assets
- Total Assets

- Total of Current Liabilities
- Total of Intermediate Liabilities
- Total of Fixed Liabilities
- Total Liabilities



Next time we will present Balance Sheet

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